

**THE KINGDOM CHARTER SCHOOL OF  
LEADERSHIP  
Blackwood, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2014**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**of the**

**The Kingdom Charter School of Leadership  
Board of Trustees**

**Blackwood, New Jersey**

**For the Fiscal Year Ended June 30, 2014**

**Prepared by**

**The Kingdom Charter School of Leadership Board of Trustees**

**Finance Department**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Letter of Transmittal	1 - 4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7

**FINANCIAL SECTION**

<b>Independent Auditor's Report</b>	8-10
-------------------------------------	------

<b>Required Supplementary Information – Part I</b>	
Management's Discussion and Analysis	11-18

**Basic Financial Statements**

<b>A.</b>	<b>Charter School-wide Financial Statements:</b>	19
	A-1 Statement of Net Position	20
	A-2 Statement of Activities	21
<b>B.</b>	<b>Fund Financial Statements:</b>	
	Governmental Funds:	
	B-1 Balance Sheet	22
	B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	23
	B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to the Statement of Activities	24
	Proprietary Funds:	
	B-4 Statement of Net Position	25
	B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	26
	B-6 Statement of Cash Flows	27
	Fiduciary Funds:	
	B-7 Statement of Fiduciary Net Position	28
	B-8 Statement of Change in Fiduciary Net Position	29
	<b>Notes to the Financial Statements</b>	30-49

**Required Supplementary Information – Part II**

<b>C.</b>	<b>Budgetary Comparison Schedules</b>	50
	C-1 Budgetary Comparison Schedule – General Fund	51-53
	C-1a Combining Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	N/A
	C-1b Community Development Block Grant – Budget and Actual	N/A
	C-2 Budgetary Comparison Schedule – Special Revenue Fund	54

**Notes to the Required Supplementary Information**

C-3	Budget-to-GAAP Reconciliation	55
-----	-------------------------------	----

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
TABLE OF CONTENTS**

**FINANCIAL SECTION (Continued)**

<b><u>Exhibit</u></b>	<b><u>Page</u></b>
<b>Other Supplementary Information</b>	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis	56
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-3 Early Childhood Program Aide Schedule of Expenditures – Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures – Budgetary Basis	N/A
E-5 Instructional Supplement Aide Schedule of Expenditures – Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues and Expenditures	N/A
F-2a Schedule of Project Revenues and Expenditure	N/A
G. Proprietary Funds:	57
Enterprise Fund:	
G-1 Combining Statement of Net Position	58
G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	59
G-3 Statement of Cash Flows	60
Internal Service Fund:	
G-4 Combining Statement of Net Position	N/A
G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-6 Combining Statement of Cash Flows	N/A



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
TABLE OF CONTENTS**

**Other Supplementary Information (Continued)**

**H. Fiduciary Funds:**

H-1	Combining Statement of Fiduciary Net Position	61
H-2	Combining Statement of Changes in Fiduciary Net Position	62
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	63
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	64

**I. Long-Term Debt:**

I-1	Schedule of Serial Bonds	N/A
I-2	Schedule of Obligations under Capital Leases	N/A
I-3	Debt Service Fund Budgetary Comparison Schedule	N/A

**Introduction to the Statistical Section**

**Financial Trends**

J-1	Net Position by Component	65
J-2	Changes in Net Position	66
J-3	Fund Balances, Governmental Funds	67
J-4	Changes in Fund Balances, Governmental Funds	68
J-5	General Fund Other Local Revenue by Source	69

**Revenue Capacity**

J-6	Assessed Value and Estimated Actual Value of Taxable Property	N/A
J-7	Direct and Overlapping Property Tax Rates	N/A
J-8	Principal Property Tax Payers	N/A
J-9	Property Tax Levies and Collections	N/A

**Debt Capacity**

J-10	Ratio of Outstanding Debt by Type	N/A
J-11	Ratios of Net General Bonded Debt Outstanding	N/A
J-12	Direct and Overlapping Governmental Activities Debt	N/A
J-13	Legal Debt Margin Information	N/A

**Demographic and Economic Information**

J-14	Demographic and Economic Statistics	70
J-15	Principal Employers	N/A

**Operating Information**

J-16	Full-time Equivalent District Employees by Function/Program	71
J-17	Operating Statistics	72
J-18	School Building Information	73
J-19	Schedule of Required Maintenance Expenditures by School Facilities	N/A
J-20	Insurance Schedule	74

**Charter School Performance Framework Financial Indicators**

J-21	Charter School Performance Framework-Financial Performance, Fiscal Ratios	75
------	---	----

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
TABLE OF CONTENTS**

**SINGLE AUDIT SECTION**

K-1	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76-77
K-2	Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedules of Financial Assistance Required by New Jersey OMB Circular 04-04	78-79
K-3	Schedule of Expenditures of Federal Awards, Schedule A	80
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	81
K-5	Notes to the Schedules of Awards and Financial Assistance	82-83
K-6	Schedule of Findings and Questioned Costs	84-89
K-7	Summary Schedule of Prior Audit Findings	90

## **INTRODUCTORY SECTION**

# **THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**

**121 WEST CHURCH STREET  
BLACKWOOD, NJ 08012**

Ms. Wandria Hampton  
School Lead  
Telephone: (856) 232-0100

Ms. Risce Langhorne  
Business Administrator/  
Board Secretary

November 17, 2014

Members of the Board of Trustees of  
The Kingdom Charter School of Leadership  
County of Camden  
121 West Church Street  
Blackwood, NJ 08012

Dear Board Members,

The initial comprehensive annual financial report of The Kingdom Charter School of Leadership for the fiscal year ended June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of The Kingdom Charter School of Leadership. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the final position and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections as follows:

- The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials.
- The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon.
- The statistical section includes the first fiscal year of unaudited data.
- The charter school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management Budget Circular A-133, "Audits of States, Local Governments and Non-profit Organizations", and the New Jersey OMB circular letter 04-04 OMB, "Single Audit Policy for recipients of federal grants, State grants and state aid payments". Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

## **1. REPORTING ENTITY AND ITS SERVICES:**

The Kingdom Charter School of Leadership is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No.14. All funds of the Charter school are included in this report The Kingdom Charter School of Leadership's Board of Trustees and it's school constitute the Charter School's reporting entity.

The Kingdom Charter School of Leadership is responsible for providing a thorough and efficient educational system for students in grades taught at the one school maintained. The Charter School completed the 2013 – 2014 fiscal year with an enrollment of 180 elementary school students.

## **2. ECONOMIC CONDITION AND OUTLOOK:**

The Gloucester Township area is a rural community in Camden County and is presently considered to possess a stable economy.

### Initiatives

The charter school has developed a comprehensive strategic plan to support its mission and vision and serve as a blueprint for the achievement of its goals. The plan includes objectives such as pupil achievement, staff development and technology in the classroom.

In addition, the financial condition of the District has improved during the 2013-14 school-year.

## **3. INTERNAL ACCOUNTING CONTROLS:**

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal awards and state financial assistance, the Charter School also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Charter School management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

#### **4. BUDGETARY CONTROLS:**

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2014.

#### **5. ACCOUNTING SYSTEM AND REPORTS:**

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 2.

#### **6. RISK MANAGEMENT:**

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

#### **7. OTHER INFORMATION:**

##### **Management Company**

As of July 1, 2014, the District hired a management company, Renaissance School Services, to support the curriculum and other operational goals of the school.

##### **Independent Audit**

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. Raymond Colavita, C.P.A., R.M.A. of the accounting firm of Nightlinger, Colavita and Volpa, PA, was selected by the Board's Audit Committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act amendment of 1996 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

#### 8. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of The Kingdom Charter School of Leadership Board of Trustees for their concern in providing fiscal accountability to the community and contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Wandria Hampton". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ms. Wandria Hampton  
School Lead

A handwritten signature in black ink, appearing to read "Risce Langhorne". The signature is cursive, with the first letter "R" being large and prominent.

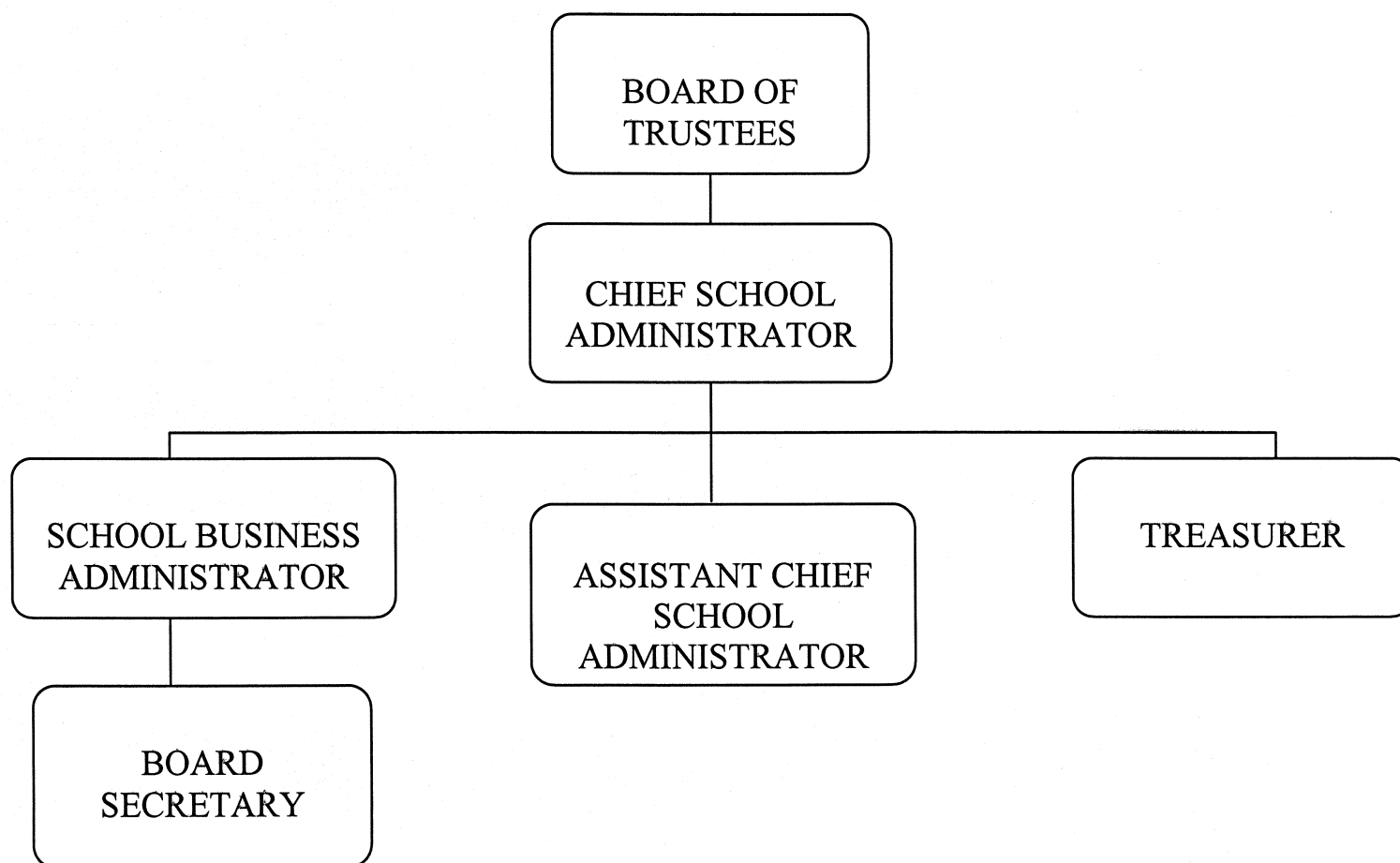
Ms. Risce Langhorne  
Business Administrator/Board Secretary

**The Kingdom Charter School of Leadership**

**Blackwood, New Jersey**

**Camden County**

**(UNIT CONTROL)**





**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BLACKWOOD, NEW JERSEY**

**ROSTER OF OFFICIALS**

**June 30, 2014**

<b><u>MEMBERS OF THE BOARD OF TRUSTEES</u></b>	<b><u>TERM EXPIRES</u></b>
Bernetta Millonde, President	2015
Melissa Fox, Vice President	2015
Bob Fensterer, Treasurer	2014
Kamilah Cobbs	2015
Maravi Melendez-Davis	2015
Michelle Johnston	2016
Christian Holland	2015

<b><u>OTHER OFFICIALS</u></b>	
Wandria McCall-Hampton, School Lead	
Carmen Rodriquez, Principal (Term June 30, 2014)	
Riscee Langhorne, Business Administrator	\$100,000
Jeannie Scott, Treasurer	\$120,000
Mr. David A. Wollman, Solicitor	

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

**Raymond Colavita, C.P.A., R.M.A.**  
**Nightlinger, Colavita and Volpa, P.A.**  
Certified Public Accountants  
991 S. Black Horse Pike  
Post Office Box 799  
Williamstown, NJ 08094

**ATTORNEY**

**Mr. David A. Wollman**  
The Wollman Law Firm  
Highridge Commons  
200 Haddonfield-Berlin Road, Suite 102  
Gibbsboro, New Jersey 08026

**OFFICIAL DEPOSITORY**

TD Bank  
55 South White Horse Pike  
Stratford, New Jersey 08084

## **FINANCIAL SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

*Certified Public Accountants*

991 S. Black Horse Pike  
P.O. Box 799  
Williamstown, NJ 08094

(856) 629-3111  
Fax (856) 728-2245

November 17, 2014

## **INDEPENDENT AUDITOR'S REPORT**

The Members of the Board of Trustees of  
The Kingdom Charter School of Leadership  
County of Camden  
121 West Church Street  
Blackwood, NJ 08012

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of The Kingdom Charter School of Leadership in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2014, which collectively comprise the Charter School's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of The Kingdom Charter School of Leadership Board of Trustees, in the County of Camden, State of New Jersey, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **New Accounting Standards**

As discussed in Note 2 to the financial statements, during the fiscal year ended June 30, 2013, the School District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

The Management Discussion and Analysis and Budgetary Comparison Information on pages 11 through 18 and 51 through 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Kingdom Charter School of Leadership, Board of Trustees financial statements as a whole. The introductory section, combining fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of state assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014 on our consideration of The Kingdom Charter School of Leadership, Board of Trustees internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, PA**



Raymond Colavita, C.P.A., R.M.A.  
Licensed Public School Accountant  
No. 915

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

# THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

### UNAUDITED

The discussion and analysis of The Kingdom Charter School of Leadership's financial performance provides an overall review of the School's financial activities for the initial fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

### Financial Highlights

Key financial highlights for 2014 are as follows:

- ❖ The 2014 school year was the third year of operations and educated students from Kindergarten through Fifth Grade.
- ❖ Total revenues of the school were \$2,407,448, of which general revenues accounted for \$2,249,606 or 93.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and capital grants accounted for \$157,842 or 6.6% percent of all Revenues.
- ❖ Total net position of governmental activities at the end of the third year of operations was \$231,250.
- ❖ The School had \$2,282,342 in total expenses, of which only \$157,842 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily state and federal aid) were adequate to provide for these programs.
- ❖ The General Fund had \$2,249,606 in revenues and \$2,107,618 in expenditures. The General Fund's balance as of the end of the second year of operations was \$132,840. This operating result was anticipated by the Board of Trustees and eliminated the prior year deficit through securing an agreement for food service reimbursement in the 2013-14 school year.

### Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand The Kingdom Charter School of Leadership as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of The Kingdom Charter School of Leadership, the General Fund is by far the most significant fund.



## **Reporting the School as a Whole**

### **Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School to provide programs and activities, the view of the School as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in those assets. This change in net position is important because it tells the reader that, for the School as a whole, the financial positions of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the property tax base of the School's resident districts, current laws in New Jersey concerning revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School is divided into two distinct kinds of activities:

- ❖ **Governmental Activities** – All of the School's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ❖ **Business – Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service and Before and After Care enterprise funds are reported as business activity.

## **Reporting the School's Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School's major (all) funds begins on page 21. Fund financial reports provide detailed information about the School's major funds. The School uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School's most significant funds. The School's major governmental funds are the General Fund and Special Revenue Fund.

### **Governmental Funds**

The School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore these statements are essentially the same.

## The School as a Whole

Recall that the Statement of Net Position provides the perspective of the School as a whole.

Table 1 provides a summary of the School's net position for the years ended 2014 and 2013 in accordance with GASB Statement 34. The following net position comparisons are for the first two years of operations.

Table 1  
Net Position

	2014	2013
<b>Assets</b>		
Cash and Cash Equivalents	\$ 49,980	\$ 187,971
Receivables, Net	173,999	
Other Assets	25,000	
Capital Assets, Net	98,410	114,527
Total Assets	347,389	302,498
<b>Liabilities</b>		
Accounts Payable	60,484	
Interfund Payable	4,661	
Unearned Revenue	9,070	
Due to Other Governments	41,924	193,488
Total Liabilities	116,139	193,488
<b>Net Position</b>		
Invested in capital assets, net of debt	98,410	108,177
Restricted - Escrow Fund	15,000	
Unrestricted	57,840	833
Total Net Position	\$ 171,250	\$ 109,010

Table 2 shows the changes in net position from fiscal years 2014 and 2013, in accordance with GASB statement 34. The following comparison of changes in net position, represent data for the first two years of operations.

Table 2  
Changes in Net Position

	2014	2013
<b>Revenues</b>		
Programs Revenues		
Charges for services	\$ 31,807	\$ 37,560
Operating grants and contributions	126,035	88,663
General Revenues		
Property taxes	993,596	765,932
Grants and entitlements	1,188,689	1,003,075
Other	67,321	72
<b>Total Revenues</b>	<b>2,407,448</b>	<b>1,895,302</b>
<b>Program Expenses</b>		
Instruction	987,261	846,326
Support Services		
School Administration	617,671	407,728
General administration	573,399	609,703
Enterprise Funds	80,164	79,157
Other	23,847	22,440
<b>Total Expenses</b>	<b>2,282,342</b>	<b>1,965,354</b>
<b>Increase in Net Position</b>	<b>\$ 125,106</b>	<b>\$ (70,052)</b>

### Governmental Activities

The School's total revenue for the fiscal year ended June 30, 2014 was \$2,407,448, of which governmental revenues were \$2,249,606. As a charter school, voter approval for the School operations is not required in New Jersey. Property taxes made up 44.2% of revenues for governmental activities of The Kingdom Charter School of Leadership for fiscal year 2014. Federal, state and local grants accounted for another 52.8%. The school's total expenses were \$2,282,342, of which the cost of all governmental instructional programs and services was \$987,261. Instruction comprises 43.3% of School expenses.

## Business-Type Activities

Revenues for the School's business-type activities (food service program and extended day program) were comprised of charges for services.

- ❖ The Food Service Program did not necessitate a Board subsidy in the 2013-14 school year. The modest excess of revenue over expenses was the result of the Charter School receiving Federal and State subsidy reimbursements during the year.
- ❖ Charges paid by patrons for daily food services were \$13,684.
- ❖ Extended Day revenues were \$18,123 and Extended Day expenses were \$26,300.

## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the School's resident district taxpayers by each of these functions.

	Table 3			
	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>
Instruction	\$ 987,261	\$ 931,714	\$ 846,326	\$ 783,574
Support services				
School Administrative Services	617,671	588,425	407,728	381,817
General administration, school administration, business	573,399	573,399	609,703	609,703
Other	23,847	23,847	22,440	22,440
Total Expenses	<u>\$ 2,202,178</u>	<u>\$ 2,117,385</u>	<u>\$ 1,886,197</u>	<u>\$ 1,797,534</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the School.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities includes expenses related to student activities provided by the School which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to liabilities of the School.

Other includes unallocated depreciation and amortization.

### The School's Funds

Information about the School's major funds starts on page 22. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general and special revenue funds presented in the fund-based statements) had total revenues of \$2,334,399 and expenditures of \$2,192,411. The net positive change in the General Fund balance was \$141,988, for this third school year of operations. This result shows that the School was able to meet current operating costs, without the need for additional funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue	Amount	Percent of Total	Increase/ (Decrease) from 2013	Percent Increase (Decrease)
Local Sources	\$ 1,060,917	45%	\$ 294,913	39%
State Sources	1,188,689	51%	185,614	19%
Federal Sources	84,793	4%	(3,870)	-4%
Total	\$ 2,334,399	100%	\$ 476,657	26%

The increase in Local Sources is attributed to an increase in the local tax levy from sending districts of \$227,664 and miscellaneous income of \$67,278, offset by a decrease in interest of \$29.

The increase in State Sources is due to increases in the state share of the local tax levy of \$196,131 and on-behalf social security reimbursements of \$8,355, offset by decreases in general fund categorical state aid of \$18,872.

The decrease in Federal Sources represents the net decrease in various federal awards.

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to prior year expenditures.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2013</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 987,261	45.0%	\$ 140,935	17%
General Administrative Expenses	617,671	28.2%	78,102	14%
School Administrative Expenses	573,399	26.2%	95,537	20%
Capital Outlay	14,080	0.6%	(2,010)	-12%
Total	<u>\$ 2,192,411</u>	<u>100%</u>	<u>\$ 312,564</u>	<u>17%</u>

The increase in Instructional expense is attributed to increases in the general fund wage expenditures of \$171,558, offset by other general expenditures of \$23,418 and special revenue expenditures of \$7,205.

The General Administrative expenditures increased by \$78,102 and School Administrative Support expenditures increased by \$95,537. These increases were the result of adding an additional 35 student enrollments in the 2013-14 school-year.

The capital outlay expenditures are attributed to equipment purchases and leasehold improvements, which decreased by \$2,010.

### **General Fund Budgeting Highlights**

The School's Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2014, the School amended its General Fund budget as needed. The School uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

- ❖ Staffing based on student needs.
- ❖ Costs for student transportation both in regular education and special education.
- ❖ Costs for maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the School's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show an excess of \$141,988 in revenue over expenditures.

- ❖ Actual revenues were \$67,221 more than expected, excluding on behalf state aid of \$46,144. This was due to interest earnings and miscellaneous revenue as shown on Exhibit C-1.
- ❖ The actual expenditures were lower than expected in various line items, in the total amount of \$74,767, excluding the on-behalf social security and TPAF pension contribution state aid payments of \$46,144 per Exhibit C-1.
- ❖ There was no transfer to the Food Service Enterprise fund for the 2013-14 school year.

### Capital Assets

At the end of the fiscal year 2014, the School had \$98,410 invested in furniture and equipment. Table 4 shows fiscal 2013-2014 balances compared with the preceding school-year.

Table 4  
Capital Assets (Net of Depreciation) at June 30

	<u>2014</u>	<u>2013</u>
Leasehold Improvements	\$ 54,750	49,928
Machinery and Equipment	43,660	58,249
Totals	<u>\$ 98,410</u>	<u>108,177</u>

Overall capital assets decreased \$9,767 from fiscal year 2013 to fiscal year 2014. The decrease was attributed to the purchase of depreciable assets of \$14,080, offset by depreciation expense of 23,847.

### Operating Leases

The School currently leases space for classrooms, administration and the food service operation, through a lease purchase agreement with a commercial landlord.

The term of the lease is April 18, 2011 through June 30, 2016. All lease payments are to be applied against the purchase option price of \$750,000. There will also be a required payment of \$50,000 at the time of exercising of the option, of which any escrow deposits are included.

## **BASIC FINANCIAL STATEMENTS**



## **CHARTER SCHOOL - WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the School.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 49,980	\$ 27,445	\$ 77,425
Receivables, Net	173,999	11,095	185,094
Other Asset	25,000		25,000
Capital Assets, Net (Note 5):	98,410		98,410
Total Assets	<u>347,389</u>	<u>38,540</u>	<u>385,929</u>
<b>LIABILITIES</b>			
Accounts Payable	60,484	35,674	96,158
Interfund Payable	4,661		4,661
Unearned Revenue	9,070		9,070
Due to Other Governments	41,924		41,924
Total Liabilities	<u>116,139</u>	<u>35,674</u>	<u>151,813</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	98,410		98,410
Restricted:			
Escrow Fund	15,000		15,000
Unrestricted (Deficit)	117,840	2,866	120,706
Total Net Position	<u>\$ 231,250</u>	<u>\$ 2,866</u>	<u>\$ 234,116</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		<b><u>Net (Expense) Revenue and Changes in Net Position</u></b>		
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business- type Activities</u></b>	<b><u>Total</u></b>
Governmental Activities:						
Instruction:						
Regular	\$ 987,261	\$	\$ 55,547	\$ (931,714)	\$	\$ (931,714)
Support Services:						
School Administrative Services	617,671		29,246	(588,425)		(588,425)
General and Business Administrative Services	573,399			(573,399)		(573,399)
Unallocated Depreciation	23,847			(23,847)		(23,847)
Total Governmental Activities	2,202,178		84,793	(2,117,385)		(2,117,385)
Business-type Activities:						
Food Service	53,864	13,684	41,242		1,062	1,062
Before and After Care	26,300	18,123			(8,177)	(8,177)
Total Business-type Activities	80,164	31,807	41,242		(7,115)	(7,115)
Total Primary Government	\$ 2,282,342	\$ 31,807	\$ 126,035	\$ (2,117,385)	\$ (7,115)	\$ (2,124,500)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				\$ 993,596	\$	\$ 993,596
Federal and State Aid Not Restricted				1,188,689		1,188,689
Investment Earnings				43		43
Miscellaneous				67,278		67,278
Total General Revenues, Special Items, Extraordinary Items and Transfers				2,249,606		2,249,606
Change in Net Position				132,221	(7,115)	125,106
Net Position—Beginning				99,029	9,981	109,010
Net Position—Ending				\$ 231,250	\$ 2,866	\$ 234,116

The accompanying Notes to Financial Statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund.

## **GOVERNMENTAL FUNDS**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Total Governmental Funds</u></b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 28,961	\$ 34,285	\$ 63,246
Interfund Receivable	20,660		20,660
Other Governmental Receivable	167,137		167,137
Federal Aid Receivable		4,490	4,490
State Aid Receivable	2,372		2,372
Security Deposit	25,000		25,000
	<hr/>	<hr/>	<hr/>
Total assets	\$ 244,130	\$ 38,775	\$ 282,905
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	51,419	9,045	60,464
Interfund Payable	17,927	20,660	38,587
Unearned Revenue		9,070	9,070
Due to Other Governments	41,924		41,924
Other Liabilities	20		20
	<hr/>	<hr/>	<hr/>
Total liabilities	111,290	38,775	150,065
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Restricted			
Escrow Fund	15,000		15,000
Unrestricted, reported in:			
General fund (Deficit)	117,840		117,840
	<hr/>	<hr/>	<hr/>
Total Fund balances	132,840		132,840
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 244,130	\$ 38,775	
	<hr/>	<hr/>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$165,528 and the accumulated depreciation is \$67,118 (Note 5).

	98,410
	<hr/>
Net position of governmental activities	\$ 231,250
	<hr/>

**The accompanying Notes to Financial Statements are an integral part of this statement.**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Total Governmental Funds</u></b>
<b>REVENUES</b>			
Local Sources:			
Local Tax Levy	\$ 993,596	\$	\$ 993,596
Investment Earnings	43		43
Miscellaneous	67,278		67,278
	<hr/>	<hr/>	<hr/>
Total - Local Sources	1,060,917		1,060,917
State Sources	1,188,689		1,188,689
Federal Sources		84,793	84,793
	<hr/>	<hr/>	<hr/>
Total Revenues	2,249,606	84,793	2,334,399
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
Regular Instruction	931,714	55,547	987,261
Support Services:			
School Administrative Services	588,425	29,246	617,671
Other Administrative Services	573,399		573,399
Capital Outlay	14,080		14,080
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,107,618	84,793	2,192,411
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues			
Over Expenditures	141,988		141,988
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Food Service Fund			
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources and Uses			
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	141,988		141,988
Fund Balance—July 1	(9,148)		(9,148)
	<hr/>	<hr/>	<hr/>
Fund Balance—June 30	\$ 132,840	\$	\$ 132,840
	<hr/>	<hr/>	<hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Total net change in fund balances - governmental funds (from B-2)	\$ 141,988
---	------------

Amounts reported for governmental activities in the statement  
of activities (A-2) are different because:

In the statement of activities, certain operating expenses, including compensated absences, are  
measured by the amounts earned during the year. In the governmental funds, however,  
expenditures for these items are reported in the amount of financial resources used (paid) .  
Compensated Absences Adjusted

Capital outlays are reported in governmental funds as expenditures. However, in the statement of  
activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$	(23,847)	
Capital outlays		14,080	
		(9,767)	

Change in net position of governmental activities (A-2)	\$ 132,221
---	------------

**The accompanying Notes to Financial Statements are an integral part of this statement.**



## **PROPRIETARY FUNDS**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Business-type Activities - Enterprise Funds		
	Food Service	Before and After Care Program	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 99	\$ 14,080	\$ 14,179
Intergovernmental Receivables	6,708		6,708
Other Accounts Receivable	644		644
Interfund Accounts Receivable	4,285	12,724	17,009
Total Current Assets	11,736	26,804	38,540
Total Assets	<u>\$ 11,736</u>	<u>\$ 26,804</u>	<u>\$ 38,540</u>
<b>LIABILITIES AND NET POSITION:</b>			
Current Liabilities:			
Accounts Payable	\$ 10,674	\$ 25,000	\$ 35,674
Total Current Liabilities:	10,674	25,000	35,674
Net Position			
Unrestricted	1,062	1,804	2,866
Total Fund Equity	1,062	1,804	2,866
Total Net Position	<u>\$ 11,736</u>	<u>\$ 26,804</u>	<u>\$ 38,540</u>

**The accompanying Notes to Financial Statements are an integral part of this statement.**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Business-type Activities		
	Enterprise Fund		
	Food Service	Before and After Care Program	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 13,684	\$	\$ 13,684
Extended Day Fees		18,123	18,123
Total Operating Revenue:	13,684	18,123	31,807
Operating expenses:			
Salaries		25,000	25,000
Food Costs	53,209		53,209
Other	655	1,300	1,955
Total Operating Expenses	53,864	26,300	80,164
Operating Income (Loss)	(40,180)	(8,177)	(48,357)
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	652		652
Federal Sources:			
School Breakfast Program	12,587		12,587
National School Lunch Program	28,003		28,003
Total Non-operating Revenues (Expenses)	41,242		41,242
Income (Loss) before Contributions & Transfers	1,062	(8,177)	(7,115)
Transfer from General Fund			
Change in Net Position	1,062	(8,177)	(7,115)
Total Net Position—Beginning		9,981	9,981
Total Net Position—Ending	\$ 1,062	\$ 1,804	\$ 2,866

The accompanying Notes to Financial Statements are an integral part of this statement.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Business-type Activities Enterprise Funds</b>		
	<b>Food Service</b>	<b>Before and After Care Program</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 13,684	\$ 18,123	\$ 31,807
Payments to Suppliers	(58,292)	(4,043)	(62,335)
Net Cash Provided by (Used for) Operating Activities	(44,608)	14,080	(30,528)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidies and Transfers from/to Other Funds			
Cash Received from State and Federal Reimbursement	41,242		
Net Cash Provided by (Used for) Non-capital Financing Activities	41,242		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets			
Net Cash Provided by (Used for) Capital and Related Financing Activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends			
Net Cash Provided by (Used for) Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(3,366)	14,080	10,714
Balances—Beginning of Year	3,465		3,465
Balances—End of Year	\$ 99	\$ 14,080	\$ 14,179
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (40,180)	\$ (8,177)	\$ (48,357)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
(Increase)/Decrease in Accounts Receivable, Net	(7,352)		(7,352)
(Increase)/Decrease in Interfund Accounts Receivable	5,867	(2,743)	3,124
Increase/(Decrease) in Accounts Payable	(2,943)	25,000	22,057
Increase/(Decrease) in Interfund Accounts Payable			
Total Adjustments	(4,428)	22,257	17,829
Net Cash Provided by (Used for) Operating Activities	\$ (44,608)	\$ 14,080	\$ (30,528)

**Noncash Noncapital Financing Activities:**

During the year, the district received zero dollars of food commodities from the U. S. Department of Agriculture

**The accompanying Notes to Financial Statements are an integral part of this statement.**

## **FIDUCIARY FUNDS**

**EXHIBIT B-7**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	<b><u>Student Activities</u></b>	<b><u>Payroll Agency Fund</u></b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 12,975	\$ 357
Due from General Fund		4,661
Total Assets	<u>12,975</u>	<u>5,018</u>
<b>LIABILITIES</b>		
Due to Student Groups	12,975	
Due to Food Service		3,743
Payroll Deductions and Withholdings		1,275
Total Liabilities	<u>\$ 12,975</u>	<u>\$ 5,018</u>
<b>NET POSITION</b>	<u>\$</u>	

The accompanying Notes to Financial Statements  
are an integral part of this statement.

**EXHIBIT B-8**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b><u>Unemployment Compensation Trust</u></b>
<b>ADDITIONS</b>	
Contributions:	
Plan Member	\$ 3,566
Contributions	
Other	
	<hr/>
Total Additions	3,566
	<hr/>
<b>DEDUCTIONS</b>	
Scholarships Awarded	
Unemployment Claims	
	<hr/>
Total Deductions	
	<hr/>
Change in Net Position	3,566
Net Position—Beginning of the Year	
	<hr/>
Net Position—End of the Year	\$ 3,566
	<hr/> <hr/>

**The accompanying Notes to Financial Statements are an integral part of this statement.**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1. DESCRIPTION OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP AND REPORTING ENTITY**

The Kingdom Charter School of Leadership is located and incorporated on June 1, 2011 in the County of Camden, State of New Jersey and began its first year of education operations in September of 2011. It was created through the approval of its New Jersey Charter Schools Application by the State of New Jersey, Department of Education. As a Charter School, The Kingdom Charter School of Leadership functions independently as an educational institution through a Board of Trustees (the "Board"). In accordance with the by laws of the Charter School, the Board is to consist of not less than 3 and not more than 14 individuals. At all times, constituency of the voting members of the Board of Trustees shall consist of 2 members nominated and elected by the Board selected from the Parent Council and two members nominated and elected by the Board of Trustees representing community leaders at large (which may include representatives from the Neighborhood Center) The school administrator and a teacher elected by the teachers from the school are ex-officio members of the Board of Trustees without vote, and limited to the number of terms they may serve consecutively.

**A. Reporting Entity:**

The purpose of the Charter School during their initial fiscal school year of 2011-12 was to educate 120 students in Kindergarten through Third Grade. Fourth Grade was added in the 2012-13 school year and Fifth Grade was added in 2013-14. The enrollment at June 30, 2014 was 180, which is 35 students more than in 2012-13. A school business administrator/board secretary was appointed by the Board and responsible for the administrative control of the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Charter School holds the corporate powers of the organization
- the Charter School appoints a voting majority of the organization's board
- the Charter School is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Charter School
- there is a fiscal dependency by the organization on the Charter School

There were no additional entities required to be included in the reporting entity, under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of The Kingdom Charter School of Leadership have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Charter School's accounting policies are described below.



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In June 1999, the Governmental Accounting Standards Board (GASB), unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which provided for the most significant change in financial reporting over twenty years and was phased-in starting with fiscal year ending 2002. In addition, the school Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

**New Accounting Standards:**

- GASB 62, *Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.
- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect in a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.
- GASB 65, *Items Previously reported as Assets and Liabilities*, although not required to be implemented until next year, the District elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.
- GASB 66, *Technical Corrections-2012, an Amendment of GASB Statements 10 and 62*, will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25*, will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision- useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 25, *Financial reporting for Deferred Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No.50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Basis of Presentation:**

The Charter School basic financial statements consist of Charter School-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Charter School-wide Statements: The statement of net position and the statements of activities display information about the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the Charter School and for each function of the Charter School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses—expenses of the Charter School related to the administration and support of the Charter School's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting.

**B. Fund Accounting:**

The accounts of the Charter School are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. Each fund's operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds are grouped, in the financial statements in this report:

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENTAL FUND TYPE**

**General Fund** - The general fund is the general operating fund of the School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for instructional and non-instructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, The Kingdom Charter School of Leadership includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmentalities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from the "local levy" local share - charter school aid, "local levy" state share - charter school aid, categorical aid, revenues from other sources and appropriated fund balance. Expenditures are those in excess of \$2,000, which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

**Special Revenue Fund** - The Charter School accounts for the proceeds of specific revenue sources from the state and federal government (other than expendable trusts, major capital projects or enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes in the special revenue fund.

**Capital Projects Fund** - The Charter School currently has no capital projects, and, therefore, the accounting system of the Charter School does not include a capital projects fund.

**Debt Service Fund** - The accounting system of the Charter School does not include a debt service fund in accordance with state statute.

**PROPRIETARY FUND TYPE**

The focus of Proprietary Fund measurement is on determination of net income, financial position and cash flows. The applicable generally accepted accounting principles are similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Charter School:

**Enterprise (Food Service) Funds** - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Fund Accounting (continued):**

**Enterprise (Food Service) Funds (Continued)** - The School's Enterprise Fund is comprised of a Food Service Fund managed by an outside food service management company. For expediency, the financial records are maintained within the food service fund of The Kingdom Charter School of Leadership. Federal and state subsidy reimbursements as well as a food service operating costs were allocated on a pro-rata basis. There were no Inventory or commodity amounts considered as owned by The Kingdom Charter School of Leadership.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is separated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**Before and After Care Program Fund** - The Kingdom Charter School of Leadership maintains a Before and After Care program that is intended to be effectively provided on a cost-reimbursement basis.

**FIDUCIARY FUND TYPE**

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the Charter School:

**Trust and Agency Funds:** The trust and agency funds are used to account for assets held by the Charter School in a Trustee capacity or as an agent for individuals, private organizations, other governments or others.

**Nonexpendable Trust Fund:** A nonexpendable trust fund is used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligation to maintain the trust principal. The accounting system of the Charter School does not include a nonexpendable trust fund.

**Expendable Trust Fund** - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Expendable Trust Funds will consist of an Unemployment Compensation Insurance Fund in the future.

**Agency Funds (Payroll, Health Benefits and Student Activities Fund):** Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. The accounting system of the Charter School includes a payroll fund and a student activities fund.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting and Measurement Focus:**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*Charter School-wide, Proprietary and Fiduciary Fund Financial Statements:* The Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school Charter School the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The Charter School records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Budgets/Budgetary Control:**

Charter School budgets are prepared annually and are submitted to the Department of Education for review. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are mandated by the Department of Education and are detailed in the Charter School Budget Summary form that is part of the New Jersey Charter School Application and are defined as the lowest (most specific) level of detail referenced in NJAC 6:20-2A (m) 1. Transfers of appropriations may be made by Board resolution at any time during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are to be maintained to allow for the presentation of GAAP basis financial reports.

Schedule C-3 in the CAFR presents a reconciliation of the special revenue funds from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. The budget, as detailed on Exhibit C-1, includes all amendments to the adopted budget, if any. Open encumbrances in the special revenue fund for which the Charter School has received advances (if any) are reflected in the balance sheet as unearned revenues at fiscal year end.

**E. Encumbrance Accounting:**

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end. The Charter School had no fund balance reserved for encumbrances at June 30, 2014.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Tuition:**

The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the Charter School of residence of the charter school or are non-resident students.

**G. Assets, Liabilities and Equity:**

Transactions - Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

Inventories - Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase. On Charter School-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the Statement of Net Position. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

Capital assets are depreciated in the Charter School-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	30-50
Building Improvements	20
Vehicles	8
Equipment	5-10

**H. Compensated Absences:**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Compensated Absences (continued):**

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the Statement of Net Position. There is presently no balance in compensated absences liability at June 30, 2014.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**I. Unearned Revenue:**

Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned (see Note 2(B) regarding the special revenue fund).

**J. Fund Equity:**

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

**K. Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**L. Charter School Funding:**

The Charter School is largely funded on its enrollment through the local levy and categorical aid, which follows a particular student. Funding flows from the State to the district board of education and then to the Charter school. In accordance with N.J.S.A. 18A:36A-12 "the school district of residence shall pay directly to the Charter School for each student enrolled in the charter school who resides in the district a presumptive amount equal to 90% of the local tax levy budget per pupil for the specific grade level in the district. At the discretion of the commissioner and at the time the charter is granted, the commissioner may require the school district of residence to pay directly to the charter school for each student enrolled in the charter school an amount equal to less than 90%, or an amount, which shall not exceed 100% of the local levy budget per pupil for the specific grade in the district of residence. The per pupil amount paid to the charter school shall not exceed the local levy budget per pupil for the specific grade level in the district in which the charter school is located. The district of residence shall also pay directly to the charter school any categorical aid attributable to the student, provided the student is receiving appropriate categorical services, and any federal funds attributable to the student"



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Charter School Funding (Continued):**

During the school year, a charter school shall conduct an enrollment count on June 1, October 15, February 15, and the last day of the school year. A charter school shall submit each count through a summary school register for the purposes of determining average daily enrolment. Based on these counts, a charter school's revenue is adjusted accordingly.

**M. Net Position:**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**N. Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end. Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or for the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

**O. Comparative Data/Reclassifications:**

After the initial year of operations, comparative total data for the prior year will be presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Charter School's financial position and operations. Also, certain immaterial amounts presented in the prior year data will be reclassified in order to be consistent with the current year's presentation.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Allocation of Indirect Expenses:**

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Q. Extraordinary and Special Items:**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**R. Inventories and Prepaid Expenses:**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

On Charter School-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

**S. Short -Term Interfund Receivables/Payables:**

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

**T. Management Estimates:**

In order for the preparation of basic financial statements to be in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**U. Accrued Liabilities and Long-term Obligations:**

All payables, accrued liabilities, and long-term obligations are reported on the School-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Position.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**V. Fund Balance Reserves:**

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**W. Lease Acquisition Costs:**

As part of any long-term lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65. There were no such leases for the year ended June 30, 2014.

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with a maturity of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Schools. Investments are stated at cost, or amortized cost, which approximates market.

The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

**Deposits:**

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

**Investments:**

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school.

As of June 30, 2014, cash and cash equivalents in the fund financial statements of the Charter School consisted of the following:

		Cash and Cash Equivalents
Checking Accounts	\$	94,323
Total	\$	94,323

**Custodial Credit Risk** - Custodial Credit Risk is the risk that, in the event of a bank failure, the School Districts deposits may not be returned to it. Although the School District does not have a formal policy regarding custodial credit risk, as described in Note 1: N.J.S.A. 17:9-41 et. Seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Protection Act. As of June 30, 2014, none of the School Districts bank balance of \$110,784 was uninsured. As follows:

Insured	\$	110,784
Uninsured and collateralized with securities held by pledging financial institutions		
	\$	110,784

**New Jersey Cash Management Fund** – During the fiscal year, the School District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2014, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4. COMPENSATED ABSENCES**

In accordance with Statement No. 16 of the (GASB) entitled "Accounting for Compensated Absences", Part time employees are not entitled to compensated absences. Benefits paid in any future period will be calculated in accordance with formulas outlined in the Charter School agreements with any collective bargaining units and included in the budget of the current year of payment. There currently is no formal policy concerning payment of accumulated absences.

There was no liability for compensated absences at June 30, 2014.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital Assets that are Not Being Depreciated:				
Land	\$	\$	\$	\$
Construction in Progress - Leasehold Imp				
Total Capital Assets not Being Depreciated				
Leasehold Improvement	62,410	14,080		76,490
Machinery and Equipment	89,038			89,038
Total at Historical Cost	151,448	14,080		165,528
Less Accumulated Depreciation for:				
Leasehold Improvement	(12,482)	(9,258)		(21,740)
Machinery and Equipment	(30,789)	(14,589)		(45,378)
Total Accumulated Depreciation	(43,271)	(23,847)		(67,118)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	108,177			98,410
Governmental Activities Capital Assets, Net	\$ 108,177	\$ (9,767)	\$	\$ 98,410
				To A-1

**NOTE 6. GENERAL LONG-TERM DEBT**

As of June 30, 2014, there was no debt.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 7. PENSION PLANS**

**Description of Plans** - All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**Teachers' Pension and Annuity Fund (TPAF)** - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System** - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit plan which was established as of January 1, 1955. The PERS provides retirement, death, disability and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5.5% of their annual covered salary. Effective July 1, 2011, however, in accordance with Chapter 78, P.L. 2011, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2007, the increase is effective with the payroll period that begins immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, which equal the required contribution for each fiscal year, were as follows:

<b><u>Public Employees Retirement System</u></b>					
<b><u>Fiscal Year</u></b>	<b><u>Normal Contribution</u></b>	<b><u>Accrued Liability</u></b>	<b><u>Total Liability</u></b>	<b><u>Funded by State</u></b>	<b><u>Paid by District</u></b>
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 7. PENSION PLANS (CONTINUED)**

**Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service, or under the disability provisions of the System. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for a 12 month period ending with each August 31<sup>st</sup> immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

**Significant Legislation** - P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members) decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 7. PENSION PLANS (CONTINUED)**

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost - of - living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF.

**Three-Year Trend Information for PERS**

<b><u>Year</u></b>		<b><u>Annual</u></b>	<b><u>Percentage</u></b>		<b><u>Net</u></b>
<b><u>Funding</u></b>		<b><u>Pension</u></b>	<b><u>of APC</u></b>		<b><u>Pension</u></b>
		<b><u>Cost (APC)</u></b>	<b><u>Contributed</u></b>		<b><u>Obligation</u></b>
6/30/14	\$	N/A	N/A	%	\$ N/A
6/30/13		N/A	N/A		N/A
6/30/12		N/A	N/A		N/A

**Trend Information for TPAF (Paid on-behalf of the Charter School)**

<b><u>Year</u></b>		<b><u>Annual</u></b>	<b><u>Percentage</u></b>		<b><u>Net</u></b>
<b><u>Funding</u></b>		<b><u>Pension</u></b>	<b><u>of APC</u></b>		<b><u>Pension</u></b>
		<b><u>Cost (APC)</u></b>	<b><u>Contributed</u></b>		<b><u>Obligation</u></b>
6/30/14	\$	N/A	N/A	%	\$ N/A
6/30/13		N/A	N/A		N/A
6/30/12		N/A	N/A		N/A

During the fiscal year ended June 30, 2014, the State of New Jersey did not contribute to the TPAF for normal and post-retirement benefits on behalf of the Charter School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$46,144 during the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund schedules as a revenue and expenditure in accordance with GASB 27.

Legislation enacted during 1991 and 1993 provided early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1992 and 1994 fiscal years. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; (c) an additional \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of service. The Charter School assumed the increased cost for the early retirement as it was affected.

**NOTE 8. DEFERRED COMPENSATION**

The Board currently offers its employees the Equivest deferred compensation plan created in accordance with Internal Revenue Code Section 403(b).



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 9. POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 c 62. Funding of post retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

**NOTE 10. RISK MANAGEMENT**

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** - The Charter School maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**New Jersey Unemployment Compensation Insurance** - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the Reserve method. Under this plan, the Charter School is required to contribute a percentage of wages to the New Jersey Unemployment Trust Fund on a quarterly basis. The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Charter School's expendable trust fund for the current and prior year:

<b><u>Fiscal Year</u></b>	<b><u>Charter School Contributions</u></b>	<b><u>Employee Contributions</u></b>	<b><u>Amount Reimbursed</u></b>	<b><u>Ending Balance June 30,</u></b>
2013-2014	\$ N/A	\$ 3,566	\$ N/A	\$ 3,566
2012-2013	N/A	N/A	N/A	N/A
2011-2012	N/A	N/A	N/A	N/A

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2014:

<b><u>Fund</u></b>	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
General Fund	\$ 20,470	\$ 17,927
Special Revenue Fund		20,470
Food Service Fund	4,285	
Before and After Care Fund	12,724	
Trust and Agency Fund	4,661	3,743
Total	<u>\$ 42,140</u>	<u>\$ 42,140</u>

**NOTE 12. FUND BALANCE APPROPRIATED**

**General Fund** – Of the \$132,840 General Fund balance at June 30, 2014, \$15,000 was restricted as a required escrow and the remaining \$117,840 was unrestricted. This was compared to the prior year deficit of \$9,148.

In accordance with NJDOE stipulations, \$15,000 will be added to the escrow account each year, until such time as the amount reaches \$75,000.

**NOTE 13. LITIGATION**

In the opinion of the administration and legal counsel, the Charter School is not involved as a defendant in any legal proceedings of which the potential losses, if any, would not be material to the financial statements.

**NOTE 14. OPERATING LEASES**

**Lease Purchase Agreement of Building Space**

On April 18, 2011, The Kingdom Charter School of Leadership entered into a lease purchase agreement to secure classroom and administrative office space from a commercial landlord to be utilized in the initial school year to operate Kindergarten through the second grade. The rental cost for the 2012-13 school year was \$150,000 and the rental cost for the 2013-14 school year was \$185,000.

The term of the lease is April 18, 2011 through June 30, 2016. All lease payments are to be applied against the purchase option price of \$750,000. There will also be a required payment of \$50,000 at the time of the exercise of the option, of which any security deposits are included.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 14. OPERATING LEASES (CONTINUED)**

**Lease of Original Building Space and Second Building (Continued)**

A revised future minimum contracted lease payments are as follows:

<u>Fiscal Year</u>		<u>Original Building</u>
2014-15	\$	163,921
2015-16		144,079
Total	\$	<u><u>308,000</u></u>

**NOTE 15. SUBSEQUENT EVENTS**

There were no events between year-end and the date of the audit that require additional disclosure, except the addition of a Sixth Grade in the 2014-15 school-year.

As of July 1, 2014, the District hired a management company, Renaissance School Services, to support the curriculum and other operational goals of the school.

End of Notes to Financial Statements

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**BUDGETARY COMPARISON SCHEDULES**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Revenue/ Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>					
"Local Tax Levy"- Local Share - Charter School Aid:					
City of Camden	\$ 170	\$	\$ 170	\$ 170	\$
Township of Cherry Hill	9,501		9,501	9,501	
Borough of Chesilhurst	4,471		4,471	4,471	
Borough of Clayton	3,503		3,503	3,503	
Borough of Clementon	8,235		8,235	8,235	
Township of Deptford	7,585		7,585	7,585	
Borough of Glassboro	11,698		11,698	11,698	
Township of Gloucester	550,980	(9,867)	541,113	541,113	
Borough of Laurel Springs	15,212		15,212	15,212	
Borough of Lawnside	12,016		12,016	12,016	
Borough of Lindenwold	43,446		43,446	43,446	
Township of Lumberton	15,954		15,954	15,954	
Borough of Merchantville	11,202		11,202	11,202	
Township of Monroe	6,615		6,615	6,615	
Borough of Pine Hill	30,752		30,752	30,752	
Township of Runnemede	5,278		5,278	5,278	
Borough of Stratford	36,754		36,754	36,754	
Township of Washington	92,057		92,057	92,057	
Township of Winslow	138,034		138,034	138,034	
Total - Local Levy	1,003,463	(9,867)	993,596	993,596	
State Sources:					
Local Tax Levy"- State Share - Charter School Aid:					
Equalization Aid	1,100,709	(4,613)	1,096,096	1,096,096	
Categorical Aids					
Special Education Aid	23,567	783	24,350	24,350	
School Choice/Charter School Aid - Non-public					
Security Aid	23,728	(1,629)	22,099	22,099	
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				46,144	46,144
Total State Aid	1,148,004	(5,459)	1,142,545	1,188,689	46,144
Revenue from Other Sources					
Interest On Investments				43	43
Miscellaneous	100		100	67,278	67,178
Total Revenue from Other Sources	100		100	67,321	67,221
<b>TOTAL REVENUES</b>	<b>\$ 2,151,567</b>	<b>\$ (15,326)</b>	<b>\$ 2,136,241</b>	<b>\$ 2,249,606</b>	<b>\$ 113,365</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES:</b>					
Regular Programs - Instruction:					
Salaries of Teachers - Grades 1-5	\$ 683,765	\$ 17,512	\$ 701,277	\$ 701,277	\$
Other Salaries for Instruction	61,400	(8,400)	53,000	53,000	
Regular Programs - Undistributed Instruction:					
Purchased Professional - Technical Services	30,000	1,737	31,737	31,737	
Other Purchased Services	4,500	(1,571)	2,929	2,929	
General Supplies	95,000	(4,919)	90,081	85,888	4,193
Textbooks	60,000	(967)	59,033	42,131	16,902
Other Objects	15,500	(500)	15,000	14,752	248
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>\$ 950,165</b>	<b>\$ 2,892</b>	<b>\$ 953,057</b>	<b>\$ 931,714</b>	<b>\$ 21,343</b>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>UNDISTRIBUTED EXPENDITURES:</b>					
General Administrative Services:					
Salaries - Administrative	\$ 135,000	\$ 8,276	\$ 143,276	\$ 143,276	\$
Salaries of Secretarial and Clerical Assistants	40,000	(200)	39,800	39,800	
Total Benefits Cost	189,353	9,662	199,015	190,875	8,140
Purchased Professional - Technical Services	124,650	(124,650)			
Other Purchased Services	40,000	11,000	51,000	49,152	1,848
Other Purchased Professional Services		147,816	147,816	147,634	182
Communications/Telephone	15,000	(2,007)	12,993	12,793	200
General Supplies	1,000	1,034	2,034	1,861	173
Miscellaneous Expenditures	2,000	1,034	3,034	3,034	
<b>Total Support Services/General Administration</b>	<b>\$ 547,003</b>	<b>\$ 51,965</b>	<b>\$ 598,968</b>	<b>\$ 588,425</b>	<b>\$ 10,543</b>
<b>Support Services/School Administration:</b>					
Salaries	\$ 89,500.00	\$ (29,680)	\$ 59,820	\$ 59,820	\$
Purchased Professional - Technical Services	75,000.00	40,752	115,752	115,752	
Other Purchased Services	35,000.00	53,767	88,767	88,767	
Rental of Land and Buildings	187,500	(2,500)	185,000	185,000	
Insurance for Property Liability & Fidelity	34,038	(34,038)			
Supplies & Materials	5,000	60,595	65,595	65,578	17
Other Objects		4,321	4,321	3,927	394
Transportation - Other Than to/from School	4,900	3,511	8,411	8,411	
Energy (Heat and Electricity)	75,000	(75,000)			
Miscellaneous Expenditures	6,000	(6,000)			
<b>Total Support Services/School Administration:</b>	<b>511,938</b>	<b>15,728</b>	<b>527,666</b>	<b>527,255</b>	<b>411</b>
<b>Reimbursed TPAF Social Security Contrib. (Non-budgeted)</b>				<b>46,144</b>	<b>(46,144)</b>
<b>Total Undistributed Expenditures</b>	<b>1,058,941</b>	<b>67,693</b>	<b>1,126,634</b>	<b>1,161,824</b>	<b>(35,190)</b>
<b>TOTAL EXPENDITURES - CURRENT EXPENSE</b>	<b>\$ 2,009,106</b>	<b>\$ 70,585</b>	<b>\$ 2,079,691</b>	<b>\$ 2,093,538</b>	<b>\$ (13,847)</b>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
Capital Outlay					
Instructional - Equipment	\$ 8,000	\$	\$ 8,000	\$	\$ 8,000
Building Improvements	80,350	(57,109)	23,241	14,080	9,161
Total Capital Outlay	88,350	(57,109)	31,241	14,080	17,161
TOTAL EXPENDITURES	2,097,456	13,476	2,110,932	2,107,618	3,314
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	54,111	(28,802)	25,309	141,988	116,679
Other Financing Sources (Uses):					
Excess (Deficiency) of Revenues and Other Financing					
Sources Over (Under) Expenditures	54,111	(28,802)	25,309	141,988	116,679
and Other Financing Uses					
Fund Balances, July 1	(9,148)		(9,148)	(9,148)	
Fund Balances, June 30	\$ 44,963	\$ (28,802)	\$ 16,161	\$ 132,840	\$ 116,679
<b>RECAPITULATION :</b>					
Restricted:					
Escrow Fund				\$ 15,000	
Unrestricted:					
Unassigned Fund Balance (Deficit)				117,840	
TOTAL				\$ 132,840	



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**AS OF JUNE 30, 2014**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
State Sources	\$	\$	\$	\$	\$
Federal Sources	91,271	1,336	92,607	92,607	
<b>Total Revenues</b>	91,271	1,336	92,607	92,607	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	30,000		30,000	30,000	
General Supplies	30,938	609	31,547	31,547	
<b>Total Instruction</b>	60,938	609	61,547	61,547	
<b>Support Services</b>					
Employee Benefits	2,294		2,294	2,294	
Purchased Prof. & Technical Services	28,039	727	28,766	28,766	
<b>Total Support Services</b>	30,333	727	31,060	31,060	
<b>Facilities Acquisition and Construction Services:</b>					
Equipment					
<b>Total Facilities Acquisition and Construction Services</b>					
<b>Total Expenditures</b>	91,271	1,336	92,607	92,607	
<b>Other Financing Sources (Uses)</b>					
<b>Total Outflows</b>	91,271	1,336	92,607	92,607	
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
<b>Expenditures and Other Financing Sources (Uses)</b>	\$	\$	\$	\$	\$

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET-TO-GAAP RECONCILIATION**  
**NOTE TO RSI**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule	[C-1] \$ 2,249,606	[C-2] \$ 92,607
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(7,814)
State aid payment recognized for budgetary purposes, not recognized for GAAP statements		
Total revenues as reported on the statement of revenues, expenditures		
and changes in fund balances - governmental funds.	[B-2] \$ 2,249,606	[B-2] \$ 84,793
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the		
budgetary comparison schedule	[C-1] \$ 2,107,618	[C-2] \$ 92,607
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		(7,814)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfers (outflows) to general fund		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$ 2,107,618	[B-2] \$ 84,793

## **OTHER SUPPLEMENTARY INFORMATION**

## **SPECIAL REVENUE FUND**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	NCLB				Totals	
	Title I Part A	Title II Part A	IDEA Preschool	IDEA Basic	2014	2013
<b>REVENUES:</b>						
Federal Sources	\$ 63,232	\$ 609	\$ 270	\$ 28,496	\$ 92,607	\$ 88,663
Total Revenues	<u>\$ 63,232</u>	<u>\$ 609</u>	<u>\$ 270</u>	<u>\$ 28,496</u>	<u>\$ 92,607</u>	<u>\$ 88,663</u>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of Teachers	\$ 30,000	\$	\$	\$	\$ 30,000	\$ 25,000
Purchased Prof. & Technical Services						37,752
Supplies and Materials	30,938	609			31,547	
Total Instruction	<u>60,938</u>	<u>609</u>			<u>61,547</u>	<u>62,752</u>
Support Services:						
Employee Benefits	2,294				2,294	1,912
Other Purchased Services						1,336
Purchased Prof. & Technical Services			270	28,496	28,766	22,663
Total Support Services	<u>2,294</u>		<u>270</u>	<u>28,496</u>	<u>31,060</u>	<u>25,911</u>
Facilities Acquisitions & Const Serv:						
Property						
Total Facilities Acquisition & Const Serv						
Total Expenditures	<u>\$ 63,232</u>	<u>\$ 609</u>	<u>\$ 270</u>	<u>\$ 28,496</u>	<u>\$ 92,607</u>	<u>\$ 88,663</u>

## **PROPRIETARY FUND**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

**Food Services Fund** – This fund provides for the operation of food services in the school.

**Before and After Care Program** – This fund provides for the supervision of students due to the extended day beyond the regular school hours.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**FOOD SERVICES ENTERPRISE FUND**  
**COMBINING STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

	<b><u>Food Service Fund</u></b>	<b><u>Before and After Care Program</u></b>	<b><u>Totals</u></b>	
			<b><u>2014</u></b>	<b><u>2013</u></b>
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 99	\$ 14,080	\$ 14,179	\$ 3,465
Accounts Receivable:				
State	104		104	
Federal	6,604		6,604	
Other	644		644	
Interfund Receivable - Payroll	3,743		3,743	3,743
Interfund Receivable - General Fund	542	12,724	13,266	16,390
Total Current Assets	<u>\$ 11,736</u>	<u>\$ 26,804</u>	<u>\$ 38,540</u>	<u>\$ 23,598</u>
<b>LIABILITIES AND NET POSITION:</b>				
Current Liabilities:				
Accounts Payable	\$ 10,674	\$ 25,000	\$ 35,674	\$ 13,617
Interfund Accounts Payable				
Total Current Liabilities	<u>10,674</u>	<u>25,000</u>	<u>35,674</u>	<u>13,617</u>
Net Position:				
Unreserved Retained Earnings	<u>1,062</u>	<u>1,804</u>	<u>2,866</u>	<u>9,981</u>
Total Net Position	<u>1,062</u>	<u>1,804</u>	<u>2,866</u>	<u>9,981</u>
Total Liabilities and Net Position	<u>\$ 11,736</u>	<u>\$ 26,804</u>	<u>\$ 38,540</u>	<u>\$ 23,598</u>



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**FOOD SERVICES ENTERPRISE FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	<b><u>Food Service Fund</u></b>	<b><u>Before and After Care Program</u></b>	<b><u>Totals</u></b>	
			<b><u>2014</u></b>	<b><u>2013</u></b>
<b>OPERATING REVENUES:</b>				
Local Sources:				
Daily Sales - Reimbursable Programs: \$	13,684	\$	13,684	\$ 14,356
Extended Day Fees		18,123	18,123	23,204
Total Operating Revenue	13,684	18,123	31,807	37,560
<b>OPERATING EXPENSES:</b>				
Salaries		25,000	25,000	23,204
Food Costs	53,209		53,209	55,875
Other Expenses	655	1,300	1,955	78
Total Operating Expenses	53,864	26,300	80,164	79,157
Operating Loss	(40,180)	(8,177)	(48,357)	(41,597)
Non-Operating Revenues:				
State Sources:				
State School Lunch Program	652		652	
Federal Sources:				
School Breakfast Program	12,587		12,587	
National School Lunch Program	28,003		28,003	
Total Non-Operating Revenues	41,242		41,242	
Net Income before Operating Transfers	1,062	(8,177)	(7,115)	(41,597)
Transfer from General Fund				41,597
Net Income	1,062	(8,177)	(7,115)	
Net Position - July 1		9,981	9,981	9,981
Net Position - June 30	\$ 1,062	\$ 1,804	\$ 2,866	\$ 9,981

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**FOOD SERVICES ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**AS OF JUNE 30, 2014 AND 2013**

	<b><u>Food Service Fund</u></b>	<b><u>Before and After Care Program</u></b>	<b><u>Totals</u></b>	
			<b><u>2014</u></b>	<b><u>2013</u></b>
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (40,180)	\$ (8,177)	\$ (48,357)	\$ (41,597)
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:				
Change in Assets and Liabilities:				
Decrease/(Increase) in Accounts Receivable	(7,352)		(7,352)	5,854
Decrease/(Increase) in Interfund Accounts Receivable	5,867	(2,743)	3,124	(10,152)
(Decrease)/Increase in Accounts Payable	(2,943)	25,000	22,057	11,637
(Decrease)/Increase in Interfund Accounts Payable				(3,874)
Net Cash Used by Operating Activities	<u>(44,608)</u>	<u>14,080</u>	<u>(30,528)</u>	<u>(38,132)</u>
Cash Flows from Non-capital Financing Activities				
Cash Received from General Fund Reimbursements				41,597
Cash Received from State and Federal Reimbursements	41,242		41,242	
Net Cash Provided by Non-capital Financing Activities	<u>41,242</u>		<u>41,242</u>	<u>41,597</u>
Net Cash Provided by Investment Interest Activities				
Net Increase in Cash	(3,366)	14,080	10,714	3,465
Cash and Cash Equivalents, July 1	<u>3,465</u>		<u>3,465</u>	
Cash and Cash Equivalents, June 30	<u>\$ 99</u>	<u>\$ 14,080</u>	<u>\$ 14,179</u>	<u>\$ 3,465</u>

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments an/or other funds.

**Student Activity Fund** – This agency fund is used to account for student funds held at the schools.

**Payroll Fund** – This agency fund is used to account for the payroll transactions of the school.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)**

	<u>Unemployment Trust</u>	<u>Student Activities</u>	<u>Payroll</u>	<u>Total 2014</u>	<u>2013</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 3,566	\$ 12,975	\$ 357	\$ 16,898	\$ 2,199
Due from General Fund			4,661	4,661	4,661
Total Assets	<u>\$ 3,566</u>	<u>\$ 12,975</u>	<u>\$ 5,018</u>	<u>\$ 21,559</u>	<u>\$ 6,860</u>
<b>LIABILITIES AND NET POSITION:</b>					
Liabilities:					
Cash Overdraft	\$	\$	\$	\$	
Due to Student Groups		12,975		12,975	1,365
Due to Food Service			3,743	3,743	3,743
Payroll Deductions and Withholdings			1,275	1,275	1,752
Total Liabilities		<u>12,975</u>	<u>5,018</u>	<u>17,993</u>	<u>6,860</u>
Net Position:					
Held in Trust for Unemployment Claims and Other Purposes	<u>3,566</u>			<u>3,566</u>	
Total Liabilities and Net Position	<u>\$ 3,566</u>	<u>\$ 12,975</u>	<u>\$ 5,018</u>	<u>\$ 21,559</u>	<u>\$ 6,860</u>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**FIDUCIARY FUNDS**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014 AND 2013**

	<b><u>Expendable Trust</u></b>	
	<b><u>Unemployment</u></b>	<b><u>Total</u></b>
	<b><u>Funds</u></b>	<b><u>2014</u></b>
ADDITIONS:		
Contributions	\$	\$
Employee Deductions	3,566	3,566
Investment Earnings		
	<hr/>	<hr/>
Total Additions	3,566	3,566
	<hr/>	<hr/>
DEDUCTIONS:		
Total Deductions		
	<hr/>	<hr/>
Change in Net Position	3,566	3,566
	<hr/>	<hr/>
Net Position - Beginning of the Year		
	<hr/>	<hr/>
Net Position - End of the Year	\$ 3,566	\$ 3,566
	<hr/> <hr/>	<hr/> <hr/>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STUDENT ACTIVITY AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Balance</u> <u>July 1,</u> <u>2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2014</u>	<u>Balance</u> <u>June 30,</u> <u>2014</u>
Student Activity Fund	\$ 1,365	\$ 29,445	\$ 17,835	\$	\$ 12,975

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**PAYROLL AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b><u>Balance</u></b> <b><u>July 1, 2013</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2014</u></b>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 834	\$ 1,085,583	\$ 1,086,060	\$ 357
Due from General Fund	4,661			4,661
Total Assets	<u>\$ 5,495</u>	<u>\$ 1,085,583</u>	<u>\$ 1,086,060</u>	<u>\$ 5,018</u>
<b>LIABILITIES AND RESERVES:</b>				
Due to Food Service	\$ 3,743	\$	\$	\$ 3,743
Payroll Deductions and Withholdings	1,752	1,085,583	1,086,060	1,275
Total Liabilities	<u>5,495</u>	<u>1,085,583</u>	<u>1,086,060</u>	<u>5,018</u>
Total Liabilities and Reserves	<u>\$ 5,495</u>	<u>\$ 1,085,583</u>	<u>\$ 1,086,060</u>	<u>\$ 5,018</u>

## **STATISTICAL SECTION**



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NET POSITION BY COMPONENT**  
**TWO FISCAL YEARS**  
*(Accrual Basis of Accounting)*

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 114,527	\$ 108,177	\$ 98,410
Restricted - Escrow			15,000
Unrestricted	54,554	(9,148)	117,840
Total Governmental Activities Net Position	<u>\$ 169,081</u>	<u>\$ 99,029</u>	<u>\$ 231,250</u>
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	\$	\$	\$
Unrestricted	9,981	9,981	2,866
Total Business-Type Activities Net Position	<u>\$ 9,981</u>	<u>\$ 9,981</u>	<u>\$ 2,866</u>
District-Wide			
Invested in Capital Assets, Net of Related Debt	\$ 114,527	\$ 108,177	\$ 98,410
Restricted			15,000
Unrestricted	64,535	833	120,706
Total District-Wide Net Position	<u>\$ 179,062</u>	<u>\$ 109,010</u>	<u>\$ 234,116</u>

Source: CAFR Schedule A-1

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**CHANGES IN NET POSITION**  
**TWO FISCAL YEARS**  
*(Accrual Basis of Accounting)*

	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Expenses</b>			
Governmental activities			
Instruction	\$ 586,591	\$ 846,326	\$ 987,261
Support Services			
School Administrative Services	293,120	407,728	617,671
General Administrative Services	334,951	609,703	573,399
Other	20,831	22,440	23,847
Total Governmental Activities Expenses	<u>1,235,493</u>	<u>1,886,197</u>	<u>2,202,178</u>
Business-Type Activities			
Food Service	46,138	55,953	53,864
Extended Day		23,204	26,300
Total Business-Type Activities Expense	<u>46,138</u>	<u>79,157</u>	<u>80,164</u>
Total District Expenses	<u>\$ 1,281,631</u>	<u>\$ 1,965,354</u>	<u>\$ 2,282,342</u>
<b>Program Revenues</b>			
Governmental Activities			
Charges for Services	\$	\$	\$
Operating Grants and Contributions	20,470	88,663	84,793
Total Governmental Activities Program Revenues	<u>20,470</u>	<u>88,663</u>	<u>84,793</u>
Business-Type Activities			
Charges for Services			
Food Service	7,515	14,356	13,684
Before and After Care	9,981	23,204	18,123
Operating Grants and Contributions	30,156		41,242
Total Business-Type Activities Program Revenues	<u>47,652</u>	<u>37,560</u>	<u>73,049</u>
Total District Program Revenues	<u>\$ 68,122</u>	<u>\$ 126,223</u>	<u>\$ 157,842</u>
<b>Net (Expense)/Revenue</b>			
Governmental Activities	\$ (1,215,023)	\$ (1,797,534)	\$ (2,117,385)
Business-Type Activities	1,514	(41,597)	(7,115)
Total District-Wide Net Expense	<u>\$ (1,213,509)</u>	<u>\$ (1,839,131)</u>	<u>\$ (2,124,500)</u>
<b>General Revenues and Other Changes in Net Position</b>			
Governmental Activities			
Property Taxes Levied for General Purposes, net	\$ 498,440	\$ 765,932	\$ 993,596
Unrestricted Grants and Contributions	862,784	1,003,075	1,188,689
Investment Earnings	85	72	43
Miscellaneous Income	31,262		67,278
Transfers	(8,467)	(41,597)	
Total Governmental Activities	<u>1,384,104</u>	<u>1,727,482</u>	<u>2,249,606</u>
Business-Type Activities			
Transfer	8,467	41,597	
Total Business-Type Activities	<u>8,467</u>	<u>41,597</u>	
Total District-Wide	<u>\$ 1,392,571</u>	<u>\$ 1,769,079</u>	<u>\$ 2,249,606</u>
<b>Change in Net Position</b>			
Governmental Activities	\$ 169,081	\$ (70,052)	\$ 132,221
Business-Type Activities	9,981		(7,115)
Total District-Wide	<u>\$ 179,062</u>	<u>\$ (70,052)</u>	<u>\$ 125,106</u>

Source: CAFR Schedule A-2

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**FUND BALANCES-GOVERNMENTAL FUNDS**  
**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
*(Modified Accrual Basis of Accounting)*

	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund			
Restricted - Escrow	\$	\$	\$ 15,000
Unrestricted (Deficit)	54,554	(9,148)	117,840
Total General Fund	<u>\$ 54,554</u>	<u>\$ (9,148)</u>	<u>\$ 132,840</u>
All Other Governmental Funds			
Restricted	\$	\$	\$
Unrestricted, Reported in: Special Revenue Fund			
Total All Other Governmental Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>

Source: CAFR Schedule B-1

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**TWO FISCAL YEARS**

	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Revenues</b>			
Tax Levy	\$ 498,440	\$ 765,932	\$ 993,596
Investment Earnings	85	72	43
Miscellaneous	31,262		67,278
State Sources	862,784	1,003,075	1,188,689
Federal Sources	20,470	88,663	84,793
Total Revenues	<u>1,413,041</u>	<u>1,857,742</u>	<u>2,334,399</u>
<b>Expenditures</b>			
Instruction			
Regular Instruction	586,591	846,326	987,261
Support Services			
School Administrative Services	293,120	407,728	617,671
General Administrative Services	334,951	609,703	573,399
Capital Outlay	135,358	16,090	14,080
Total Expenditures	<u>1,350,020</u>	<u>1,879,847</u>	<u>2,192,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	63,021	(22,105)	141,988
<b>Other Financing Sources (Uses)</b>			
Transfers	(8,467)	(41,597)	
Total Other Financing Sources (Uses)	<u>(8,467)</u>	<u>(41,597)</u>	
Net Change in Fund Balances	<u>\$ 54,554</u>	<u>\$ (63,702)</u>	<u>\$ 141,988</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

Source: CAFR Schedule B-2

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**GENERAL FUND OTHER LOCAL REVENUE BY SOURCE**  
**TWO FISCAL YEARS**  
***(UNAUDITED)***

<b>Fiscal Year Ended June 30,</b>	<b>Interest on</b>		<b>Fundraisers</b>	<b>Donation</b>	<b>Prior Year Expenditure Adjustments</b>	<b>Misc.</b>	<b>Total</b>
	<b>\$</b>	<b>Investments</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
2014	\$	43	\$		\$ 60,466	\$ 6,769	\$ 67,278
2013		72					72
2012		85	11,769	250		19,158	31,262

Source: District Records

**EXHIBIT J-14**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS\*\***  
**TWO FISCAL YEARS**

<u>Year</u>		<u>Population <sup>a</sup></u>		<u>Personal Income (thousands of dollars) <sup>b</sup></u>		<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2014	*	64,075	\$	2,976,626,808	\$	46,455	8.0%
2013		64,297		2,957,366,234		45,995	8.1%
2012		64,406		2,933,049,240		45,540	9.2%

\*\* The above demographics reflect the entire Township of Gloucester.

The students of The Kingdom Charter School of Leadership represent approximately 2.3% of the total number of students in Gloucester Township.

\* Estimate

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income

<sup>c</sup> Per Capita (County vs Municipal information)

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**TWO FISCAL YEARS**

<b><u>Function/Program</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Instruction			
Regular	5.0	7.0	12
Special education	3.0	3.0	2
Other special education			
Vocational			
Other instruction			
Support Services:			
Student & instruction related services			3
General administrative services			1
School administrative services			2
Business administrative services			
Plant operations and maintenance			
Pupil transportation			3
Food Service			
Total	<u>8.0</u>	<u>10.0</u>	<u>23</u>

**Source:** District Personnel Records

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**OPERATING STATISTICS**  
**TWO FISCAL YEARS**

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Enrollment</u></b>	<b><u>Operating</u></b> <b><u>Expenditures</u></b>	<b><u>Cost Per</u></b> <b><u>Pupil</u></b>	<b><u>Teaching</u></b> <b><u>Staff</u></b>	<b><u>Pupil/</u></b> <b><u>Teacher</u></b> <b><u>Ratio</u></b> <b><u>Elem.</u></b>	<b><u>Average</u></b> <b><u>Daily</u></b> <b><u>Enrollment</u></b> <b><u>(ADE) <sup>c</sup></u></b>	<b><u>Average</u></b> <b><u>Daily</u></b> <b><u>Attendance</u></b> <b><u>(ADA) <sup>c</sup></u></b>	<b><u>% Change in</u></b> <b><u>Average Daily</u></b> <b><u>Enrollment</u></b>	<b><u>Student</u></b> <b><u>Attendance</u></b> <b><u>Percentage</u></b>
2014	180	\$ 2,178,331	\$ 12,102	14	13:01	180.0	166.0	53.06%	92.20%
2013	145	1,863,757	12,853	10	14:01	144.0	129.2	22.45%	89.72%
2012	119	1,214,662	10,207	8	14:01	117.6	114.0	NA	96.94%

**Sources:** District records, ASSA and Schedule J-14

**Note:** Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**SCHOOL BUILDING INFORMATION**  
**TWO FISCAL YEARS**

	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b><u>District Building</u></b>			
<b><u>Elementary</u></b>			
Square Feet	13,360	13,360	13,360
Capacity (students)	210	210	210
Enrollment	119	145	180

**Other**

Number of Schools at June 30, 2014

Elementary = 1

**Source:** District records, ASSA

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of any additions. Enrollment is based on the annual October district count.

**KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**INSURANCE SCHEDULE**  
**TWO FISCAL YEARS**  
*(UNAUDITED)*

<b>Fortitude Insurance Group</b>	<b>Type of Coverage</b>	<b>Coverage</b>	<b>Deductible</b>
	July 1, 2013 - June 30, 2014:		
Carolina Casualty Insurance Group	D&O / EPLI	1,000,000	5,000
Markel Insurance Company	Package:		
	Commercial General Liability	3,000,000	
	Commercial Property	400,000	1,000
	Crime	100,000	500
Markel Insurance Company	Automobile	1,000,000	
Markel Insurance Company	Umbrella	5,000,000	10,000
Liberty Mutual Ins Company	Workers Compensation		
	Bodily injury by Accident	1,000,000	
	Bodily injury by Disease - Policy	1,000,000	
	Bodily injury by Disease - Per Employee	1,000,000	
Hartford Ins Company	Student Accident		
	Accidental Death Benefit	10,000	
	Accidental Dismemberment Benefit	10,000	
	Accident Medical Expense Benefit	25,000	
	<i>Deductible Amount</i>		
	<i>*Max Dental Limit</i>	1,000	

**Source: District Records**

**KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**CHARTER SCHOOL PERFORMANCE FRAMEWORK**  
**FINANCIAL PERFORMANCE - FISCAL RATIOS**

**JUNE 30, 2014**  
**(UNAUDITED)**

	<b>First Fiscal Year 2012</b>	<b>2013</b>	<b>2014</b>	
Cash	\$ 110,616	117,435	\$ 77,425	
Current Assets	191,948	230,161	287,519	
Total Assets	306,475	338,338	385,929	
Current Liabilities	127,413	193,488	151,813	
Total Liabilities	127,413	193,488	151,813	
Net Position	\$ 179,062	144,850	\$ 234,116	
Total Revenue	1,460,693	1,895,302	2,407,448	
Total Expenses	1,281,631	1,965,354	2,282,342	
Change in Net Position	\$ 179,062	(70,052)	\$ 125,106	
Depreciation Expense	\$ 20,831	22,440	\$ 23,847	
Interest Expense				
Principal Payments				
Interest Payments				
Final Average Daily Enrollment	118	144	180	
March 30th Budgeted Enrollment	119	145	180	
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>3 Year Cumulative</b>
<b>Near Term Indicators</b>				
Current Ratio	1.51	1.19	1.89	1.50
Unrestricted Days Cash	31.50	21.81	12.38	20.16
Enrollment Variance	99%	99%	100%	99%
Default	N/A	N/A	N/A	
<b>Sustainability Indicators</b>				
Total Margin	12%	-4%	5%	4%
Debt to Asset	0.42	0.57	0.39	0.46
Cash Flow	N/A	6,819	(33,191)	(33,191)
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A

**SINGLE AUDIT SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

*Certified Public Accountants*

991 S. Black Horse Pike  
P.O. Box 799  
Williamstown, NJ 08094

(856) 629-3111  
Fax (856) 728-2245

November 17, 2014

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### **INDEPENDENT AUDITOR'S REPORT**

The Members of the Board of Trustees of  
The Kingdom Charter School of Leadership  
County of Camden  
121 West Church Street  
Blackwood, NJ 08012

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Kingdom Charter School of Leadership, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2014, which collectively comprise The Kingdom Charter School of Leadership basic financial statements and have issued our report thereon dated November 17, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey.

#### **Internal Control Over Financial Reporting**

Management of The Kingdom Charter School of Leadership, in the County of Camden, State of New Jersey, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The Kingdom Charter School of Leadership, Board of Trustees' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Kingdom Charter School of Leadership, Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Kingdom Charter School of Leadership Board of Trustees' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, labeled Findings 2014-1 and 2014-2.

We also noted one other immaterial matter regarding internal control over financial reporting that we have reported to the Board of Trustees in a separate report entitled *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated November 17, 2014.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Kingdom Charter School of Leadership, Board of Trustees' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey labeled Findings 2014-1 and 2014-2.

We also noted one other immaterial matters regarding compliance that we have reported to the Board of Trustees in a separate report entitled *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated November 17, 2014.

### **Purpose of this Report**

This report is intended solely for the information and use of the audit committee, management, The Kingdom Charter School of Leadership, Board of Trustees, the New Jersey Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, PA**



Raymond Colavita, CPA, RMA  
Licensed Public School Accountant  
No. 915

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

*Certified Public Accountants*

991 S. Black Horse Pike  
P.O. Box 799  
Williamstown, NJ 08094

(856) 629-3111  
Fax (856) 728-2245

November 17, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON  
SCHEDULE OF FINANCIAL ASSISTANCE REQUIRED  
BY NEW JERSEY OMB CIRCULAR 04-04**

**INDEPENDENT AUDITOR'S REPORT**

The Members of the Board of Trustees of  
The Kingdom Charter School of Leadership  
County of Camden  
121 West Church Street  
Blackwood, NJ 08012

**Report on Compliance for Each Major Program**

We have audited the Board of Trustees of The Kingdom Charter School of Leadership, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04, the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended June 30, 2014. The Kingdom Charter School of Leadership, Board of Trustees major state programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on The Kingdom Charter School of Leadership Board of Trustees compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey's OMB's 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about The Kingdom Charter School of Leadership Board of Trustees compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Kingdom Charter School of Leadership, Board of Trustees compliance with those requirements.

## **Opinion on Each Major Program**

In our opinion, the Board of Trustees of The Kingdom Charter School of Leadership in the County of Camden, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of the Board of Trustees of The Kingdom Charter School of Leadership is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered The Kingdom Charter School of Leadership Board of Trustees' internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Kingdom Charter School of Leadership Board of Trustees' internal control over compliance.

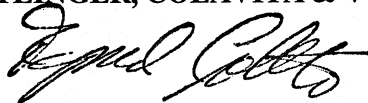
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We identified deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above and labeled Findings 2014-1 and 2. Finding 2014-3 was not considered material and was reported to the Board of Trustees in a separate report entitled *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated November 17, 2014.

This report is intended solely for the information and use of the audit committee, management, The Kingdom Charter School of Leadership Board of Trustees, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA, RMA  
Licensed Public School Accountant  
No. 915



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/ Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2013	Carryover (Walkover) Amount	Cash Received	Adjustmt.	Budgetary Expend- itures	Balance at June 30, 2014		
				From	To						(Accounts Receivable)	Unearned Revenue	Due to Grantor
U.S. Department of Agriculture													
Passed-through State Department of Education:													
Enterprise Fund:													
National School Lunch Program	10.555	N/A	\$28,003	7/1/13 to 6/30/14				\$ 23,371		\$ (28,003)	\$ (4,632)		
School Breakfast Program	10.553	N/A	12,587	7/1/13 to 6/30/14				10,615		(12,587)	(1,972)		
Total Enterprise Fund:								33,986		(40,590)	(6,604)		
U.S. Department of Education													
Passed-through State Department of Education:													
Special Revenue Fund:													
Title I Part A	84.010	NCLB606714	62,481	7/1/13-6/30/14				59,570		(63,232)	\$ (3,662)		
Title I Part A Carryover	84.010	NCLB606713	68,201	7/1/12-8/31/13									
Title I Part A	84.010	NCLB606713	68,201	7/1/12-8/31/13	\$	(3,765)		3,765					
Title I Part A	84.010	NCLB606712	12,530	7/1/11-8/31/12		(80)			\$ 80				
Title II A	84.367	NCLB606714	294	7/1/13-6/30/14						(609)	(609)		
Title II A Carryover	84.367	NCLB606713	1,611	7/1/12-8/31/13									
Title II A	84.367	NCLB606713	1,611	7/1/12-8/31/13		(219)					(219)		
IDEA Basic	84.027	IDEA606714	28,496	7/1/13-6/30/14				28,496		(28,496)			
IDEA Basic	84.027	IDEA606713	18,756	7/1/11-8/31/12		1,256						\$ 1,256	
IDEA Preschool	84.173	IDEA606714	270	7/1/11-8/31/13				270		(270)			
						(2,808)		92,101	80	(92,607)	(4,490)	1,256	
Total Federal Financial Awards						\$ (2,808)		\$ 126,087	\$ 80	\$ (133,197)	\$ (11,094)	\$ 1,256	

The accompanying Notes to the Financial statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance at June 30, 2013		Cash Received	Budgetary Expenditures	Adjustment	Balance at June 30, 2014		
					Unearned Revenue (Accts. Rec.)	Due to Grantor				(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor
State Department of Education												
General Fund												
Equalization Aid	14-495-034-5120-078	\$1,096,096	7/1/13 to 6/30/14				\$ 1,068,755	\$ (1,096,096)		\$ (27,341)		
Equalization Aid	13-495-034-5120-078	\$899,965	7/1/12 to 6/30/13		\$ (35,840)		35,840					
Special Education	14-495-034-5120-089	24,350	7/1/13 to 6/30/14				20,715	(24,350)	\$ 3,635			
Special Education	13-495-034-5120-089	29,929	7/1/12 to 6/30/13			\$ 3,635			(3,635)			
Security Aid	14-495-034-5120-084	22,099	7/1/13 to 6/30/14				22,040	(22,099)	838			\$ 779
Security Aid	13-495-034-5120-084	17,706	7/1/12 to 6/30/13			838			(838)			
Reimbursed TPAF Social Security Contrib.	14-495-034-5095-002	46,144	7/1/13 to 6/30/14				43,772	(46,144)		(2,372)		
Reimbursed TPAF Social Security Contrib.	13-495-034-5095-002	37,789	7/1/12 to 6/30/13		(2,510)		2,510					
Total General Fund					(38,350)	4,473	1,193,632	(1,188,689)	-	(29,713)		779
State Department of Agriculture												
Enterprise Fund - State Share:												
National School Lunch Program	14-100-010-3350-023	652	7/1/13 to 6/30/14				548	(652)		(104)		
							548	(652)		(104)		
Total State Financial Assistance					\$ (38,350)	\$ 4,473	\$ 1,194,180	\$ (1,189,341)	\$ -	\$ (29,817)		\$ 779

The accompanying Notes to the Financial statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**EXHIBIT K-5**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO THE SCHEDULES OF AWARDS**  
**AND FINANCIAL ASSISTANCE**  
**JUNE 30, 2014**

**NOTE 1: GENERAL**

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state award programs of the Board of Trustees, The Kingdom Charter School of Leadership. The board of trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2: BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on a modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

There was no net adjustment to reconcile from the budgetary basis to the GAAP basis for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 1,188,689	\$ 1,188,689
Special Revenue Fund	84,793		84,793
Food service Fund	40,590	652	41,242
Total Awards & Financial Assistance	\$ <u>125,383</u>	\$ <u>1,189,341</u>	\$ <u>1,314,724</u>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO THE SCHEDULES OF AWARDS**  
**AND FINANCIAL ASSISTANCE**  
**JUNE 30, 2014**

**NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING**

The Kingdom Charter School of Leadership had no outstanding loans at June 30, 2014.

**NOTE 6: OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported if any as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2014. TPAF Social Security Contributions represent the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2014.

**NOTE 7: SCHOOL-WIDE PROGRAM FUNDS**

As the District's Federal Programs are on a targeted student group basis, there are no school-wide programs in the District.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness (es) identified? \_\_\_\_\_ yes X no

2) Significant deficiencies identified that  
are not considered to be material  
weaknesses? \_\_\_\_\_ yes X none  
reported

Noncompliance material to basic financial  
statements noted? \_\_\_\_\_ yes X no

Federal Awards N/A

Internal control over major programs:

1) Material weakness (es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no

2) Significant deficiencies identified that-  
are not considered to be material  
weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ none  
reported

Type of auditor's report issued on compliance for  
major programs:

Any audit findings disclosed that are required to be  
reported in accordance with section .510(a) of  
Circular A-133? \_\_\_\_\_ yes \_\_\_\_\_ no

CFDA Number(s)

Name of Federal Program or Cluster

No Major Federal Programs

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no

<u><b>GMIS Number(s)</b></u>	<u><b>Name of State Program</b></u>
14-495-034-5120-078	Equalization Aid
14-495-034-5120-089	Special Education
14-495-034-5120-084	Security Aid

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(continued)**

**Section II - Financial Statement Findings**

**Finding:** NONE

**Criteria or specific requirement:**

**Condition:**

**Questioned Costs:**

**Context:**

**Effect:**

**Cause:**

**Recommendation:**

**Management's response:**

**Section III - Federal Awards and State Financial Assistance  
Findings and Questioned Costs**

**FEDERAL AWARDS**

**Finding:** NONE

**Information on the state program:**

**Criteria or specific requirement:**

**Condition:**

**Questioned Costs:**

**Effect:**

**Cause:**

**Recommendation:**

**Management's response:**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(continued)**

**Section III - Federal Awards and State Financial Assistance  
Findings and Questioned Costs**

**STATE AWARDS**

**Information on the state program:** Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Special Education Aid (GMIS No. 495-034-5120-089)

**Finding 2014-1**

**Criteria or specific requirement:** N.J.A.C. 6A:23-2.2(f) requires that expenditures be classified in accordance with the proper budget line item codes promulgated by the N.J. department of Education.

**Condition:** There was \$8,872, reflected as capital outlay expenditures that were below the statutory threshold and should have been charged to supplies.

**Questioned Costs:** NONE

**Context:** The NJDOE requires that expenditures be reported in accordance with a Budget Summary Key for purposes of further uniform analysis.

**Effect:** The proper coding of budgeted expenditures was not always accurate, whereby certain expenditures under \$2,000 were charged to a capital outlay line item in the budget expenditure records.

**Cause:** Inadvertent oversight

**Recommendation:** Internal control over expenditures should be strengthened, in order to properly classify purchases, as supplies rather than fixed assets.

**Management's response:** The Board Office of the Charter School will review all charges to Capital Outlay, in order to insure that all items are in excess of the \$2,000 capitalization threshold. The school district has also engaged a management company to oversee the operations of the school district.



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(continued)**

**Section III - Federal Awards and State Financial Assistance  
Findings and Questioned Costs**

**STATE AWARDS (Continued)**

**Information on the state program:** Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Special Education Aid (GMIS No. 495-034-5120-089)

**Finding 2014-2**

**Criteria or specific requirement:** NJSA 18A: 18A-37 requires that quotations be obtained, whenever practical, for any contract over the statutory threshold.

**Condition:** There were two instances, where an expenditure was in excess of the statutory threshold and a quote was not available for audit.

**Questioned Costs: NONE**

**Effect:** In two instances, there was insufficient support to satisfy that a contract was awarded to the a lowest responsible quotation, which was most advantageous to the Charter School, price and other factors considered

**Cause:** Inadvertent oversight

**Recommendation:** Internal control over expenditures should be strengthened, in order assure that quotations will be sought, where required.

**Management's response:** The Charter School has engaged a management company to oversee the operations of the school district.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(continued)**

**Section III - Federal Awards and State Financial Assistance  
Findings and Questioned Costs**

**Information on the state program:** Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Special Education Aid (GMIS No. 495-034-5120-089)

**Finding 2014-3**

**Criteria or specific requirement:** Charter Schools are required by the N.J. Dept. of Education Division of Finance to conduct enrollment counts on October 15 and the last day of the school year. A Charter School shall submit each count through the live web-based Charter School Enrollment System, available through the NJ Homeroom website, for the purposes of determining average daily enrollment.

**Condition:** In several instances, the number of days reflected as enrolled did not appear calculated correctly and in one instance, a student could not be found in the attendance register.

**Questioned Costs:** NONE

**Context:** Accurate maintenance of the enrollment system is vital so that the resident districts can rely on the accuracy of the payment schedules.

**Effect:** The proper information was not available for the New Jersey State Department of Education to calculate the correct amount of charter school aid.

**Cause:** Inadvertent oversight

**Recommendation:** Enrollment Count procedures should be strengthened, to include an additional review of transfer information, in order that days enrolled may be adjusted prior to submission of the year-end enrollment report. In addition, students listed in the Enrollment System should be compared to those entered in the Attendance Registers.

**Management's response:** The Charter School has engaged a management company to supervise the preparation of the required Enrollment System Reports, including the review of lunch applications.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**STATUS OF PRIOR - YEAR FINDINGS**

**STATE AWARDS**

**Finding 2013-1**

**Information on the state program:** Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068)

**Condition:** Documentation of surety bond coverage was not available for audit.

**Current Status**

This condition has been resolved.

**Finding 2013-3**

**Information on the state program:** Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068)

**Condition:** While steps were taken to control expenditures during the year under audit, numerous overexpenditures of budget line items were noted, as a result of commitments initiated in the prior year.

**Current Status**

This condition has been resolved.

**Finding 2013-5**

**Information on the state program:** Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068)

**Condition:** In a couple of instances, lunch applications did not appear to be calculated properly for inclusion on the enrollment reports

**Current Status**

This condition has been resolved.